FINANCIAL INCLUSION IN MANIPUR AND IMPLEMENTATION

Longjam Lilashwori Devi

Research Scholar, Manipur University.

Introduction

There is a widespread agreement that economic growth is necessary condition for poverty alleviation. Growth is considered as the best antidote to poverty. Globally it is recognised that high national income growth alone does not address the challenge of poverty alleviation. Growth is inclusive when it creates economic opportunities along with ensuring equal access to every section of the society. Apart from addressing the issue of inequality, the inclusive growth should make effort to reduce poverty more effectively by creating productive economic opportunities for the poor and vulnerable sections of the society. Financial Inclusion has been recognised as the critically important to empowering and transforming the lives of all our people, especially the poor, its role in improving national and global financial stability and integrity and its essential contribution to strong and inclusive growth in developing and emerging market countries. It is term as a process of ensuring access to timely and adequate credit and financial services by all sections of the society in general and vulnerable groups such as weaker section and low income groups in particular, at an affordable cost in a fair and transparent manner from regulated mainstream institutional players. Financial inclusion is all about giving an opportunity to build better lives for the people at the bottom of the pyramid and their children. Finance has now attributed as the brained of an economic system and most economies strives to make their financial system more efficient. Financial Inclusion offers incremental and complementary solutions to tackle poverty, to promote inclusive development and to address Millennium Development Goals (MDGs). A key objective in the development process is to work out ways to break out people from the vicious cycle of poverty. Access to finance has been seen as a factor in enabling people to transform their potentials in economic activities and thus break out of poverty.

Across regions, financial exclusion is more acute in Central, Eastern and North-Eastern regions. according to NSSO 59thRound Survey Results all three regions together accounted for 64% of all financially excluded farmer households in the country. Overall indebtedness to formal sources of finance of these three regions accounted for only 19.66. And as per census 2011, only 58.7% of households are availing banking services in the country, 47% in the north eastern states and only 29.6% in Manipur. Per bank branch population in the state is place at 24,741.6 as compare to 14,500 on all India average. Among eight different state of North Eastern Region, Manipur is having least number of household cover by the bank with only 29.6 % of the total household .Which means the extend financial exclusion in Manipur is 71%,the largest gap in India . The Centre has a roadmap to speed up financial inclusion and is trying to work through the branches of banks and otherwise. At present there are 21 unbanked block in Manipur. Manipur's position with respect to financial inclusion is not just poor but pathetic, considering the fact that the nation had treaded along the part of poverty alleviation and had nationalised commercial banks some forty years ago for easier and affordable financial services to the mass of the population.

Literature Review

A large number of studies have been made so far on financial inclusive growth with fruitful findings and policy imperatives. Though some of the studies are comprehensive, yet some gaps still persist. Many factors on the problems of access to finance, credit, resources for unbanked population have not been adequately examined and duly focused.

King and Levine, (1993); Levine and Zervos, (1998) inferred that the challenges of achieving more inclusive growth can be met by policies that encourage easier and affordable access to financial services. At the cross-country level, evidence indicates that various measures of financial development are positively related to economic growth. Thus, it is only through Financial Inclusion, economic development of the region can be achieved.

Banerjee and Newman (1993), Aghion and Bolton (1997, Yunus (1999), Pande and Burgess (2003) stated that a key objective in development economics is to work out ways to lift people out of poverty. Access to finance has been seen as a critical factor in enabling people to transform their production and employment activities and to exit poverty.

Rutherford (1996) points out, provision of financial services to poor people need not only be for increasing income, empowering women, or starting small businesses – it may simply aim to help them "manage better what little money.

Kelkar (2008) believed that access to financial services allows the poor to save money outside the house safely, prevents concentration of economic power with a few individuals and helps in mitigating the risks that poor face as a result of economic shocks. He said thus "providing access to financial services is increasingly becoming an area of concern for the policymakers for the obvious reason that it has far reaching economic and social implications".

Collins et.al (2009), in their papers shows that Financial Inclusion also has many direct benefits to poor households that are using loans or savings to accelerate consumption, absorb shocks such as health issues, or make household investments in durable goods, home improvements or school fees.

Lagarde (2014) explained that Financial Inclusion is important in the reduction of poverty by providing equal opportunities in accessing basic financial services such as savings and insurance plans and access to credit. For the poor, access to basic financial services such as payments, savings and insurance holds out the potential to generate huge benefits. With improved financial access, families can smooth out consumption and increase investment, including education and health. They can also insure against unfavourable events and therefore avoid failing deeper into poverty.

Empirical evidence clearly indicated that Financial Inclusion is a strategy for poverty alleviation. Yet the extent of Financial Inclusion is staggering in India and the ratio of inclusion is much lower in the north-east of the country. However, the above reviewed of the studies have attempted to evaluate the Financial Inclusion on the broader scope of area. Any specific study of the state Manipur including both hill and valley and all the districts have not been found out. Therefore, it has been deduced by the researcher that there is need for a study of the extent Financial Inclusion as a strategy for poverty alleviation in Manipur.

Objectives of the study

The basic objective of the study is to present the factors that may affect the implementation of the Financial Inclusion mechanism in the state:

i) To identify the factor that could contribute or hampered implementation of financial Inclusion in the State.

ii) To identify if there are any significant differences of such factors across different segment of the population.

iii) To identify the relative importance of these factors.

Methodology

The present study is based on secondary source of data. The scope of study is the state of Manipur covering all the districts of the state. Available up- to- date data have been used. They include RBI report, SLBC reports, provisional Census 2011 report, NABARD 2011-2012 report, NER databank, books and journals. Primary and secondary data collected from different sources were analysed with the help of different statistical and financial tools such as percentage, average chi-square.

Analysis and Result

As an attempt to see the extent of financial inclusion in the State and also to identify possible factors that contribute or hampered Financial Inclusion in the state. Factors taken for analysis are topography, gender, education occupation, infrastructure and security in the state. These factors are analysed with the status of opening Bank account, which is the first step of the very Financial Inclusion.

The status of bank account and its topography

Under this study, the status of bank account has been analysed on the ground of topography dividing whole state into hill and valley. Table No. 5.2.1 shows out of 600 respondent 242 are taken from hill and the remaining 358 from valley. In the

hill 69.8 per cent of the study population are financially excluded while only 10.9 per cent of the population in the valley as shown in the table. This shows a wide variation in the status of opening bank account, the very first step of Financial Inclusion.

It is statistically supported by the chi square test here $\chi^2(1) = 221.47$ and P value < 0.1. The null hypothesis H_0 that there is no significant difference between hill and valley in the status of opening bank accounts is rejected. Thereby accepted

Table 1
Topographical distribution of respondent with status of bank account

Region	Status of bank account		Total
Responses	Yes	No	
Hill	73 30.2%	169 69.8%	242 100.0%
Valley	319 89.1%	39 10.9%	358 100.0%
Total	392 65.33%	208 34.67%	600 100%
$\chi^2(1) = 221.47$ P<0.01			

Source: compile from primary data collected through questionnaire

the alternative hypothesis H_1; There is highly significance variation in the extension of the status of opening bank account topographically. Thus it can be generalised that still long miles is there to cover the very first step of Financial Inclusion in Manipur basically in hill regions.

Gender wise status of bank account

In this sub-section, the variability of opening bank account by individuals under study is analysed with respect to their gender disparity. From the table No.2 it is observed that 64.1 per cent among the male respondent opened account and 66.4 per cent among the female respondents. The level of opening bank account of individuals under observation does not vary significantly with gender – male/ female difference.

Table No. 2
Gender wise status of bank account

Gender		status of bank account		Total
		Yes	No	
Male	Count	173	97	270
	% within gender	64.1%	35.9%	100.0%
Female	Count	219	111	330
	% within gender	66.4%	33.6%	100.0%
Total	Count	392	208	600
	% within gender	65.3%	34.7%	100.0%
$\chi^2(1) = 0.344$, P > 0.05				

The proportion is tested hypothetically using statistic tool of chi square test. It is statistically evidenced by χ^2- value, 0.334 (P>0.05). Thus we may accept the null hypothesis that 'there is no difference in the levels of opening bank account according to male – female differential' at 5 per cent probability level of significance and reject the alternative hypothesis. It may be said that the level of opening bank account is not significantly influenced by their gender in the study population.

Education and status of bank account

This section of comparative analysis examined the association between opening bank account and educational achievement in this sub-section. The individuals under the study are distributed according to five categories of educational level. It is distributed with 94.9 per cent to graduate level followed by 91.1 per cent to class XII pass, 66.4 per cent to class X pass, 43.2 per cent to below class X and lowest one 25 per cent to illiterate, depicted in table-3. The association between education and status of bank account of the respondents is tested statistically using the following hypothesis.

H_0: There is no significant association between education and individuals opening bank account. H_1: There is significant association between education and individuals opening bank account. Here $\chi^2 = 125$; P<0.05 with 4 degrees of freedom. Thus, it may be rejected the null hypothesis (H_0) that status of individuals opening bank account is uniformly and equally distributed in five educational levels.

Table No.3
Education and status of bank account

Education		status of bank account		Total
		Yes	No	
Illiterate	Count	3	9	12
	% within Education	25.0%	75.0%	100.0%
Below class X	Count	101	133	234
	% within Education	43.2%	56.8%	100.0%
Class X	Count	99	50	149
	% within Education	66.4%	33.6%	100.0%
Class XII	Count	133	13	146
	% within Education	91.1%	8.9%	100.0%
Graduate	Count	56	3	59
	% within Education	94.9%	5.1%	100.0%
Total	Count	392	208	600
	% within Education	65.3%	34.7%	100.0%
$\chi^2(4) = 125$ P<0.05				

The highly significant inference may be generalized that individual's status of opening bank account is very highly associated with the educational standards in the study population.

Occupation and status of bank account

In the study population, the status of opening of bank account by individuals may also be influenced by their occupation. For analysis purpose, occupation of individuals is clubbed into seven and their corresponding proportion of opening bank account is manifested in table-4. The association is statistically tested.

The status of bank account of the respondents associate significantly with their seven categories of occupation as witnessed by χ^2- value 81.98, (P<0.001). Therefore we may reject the null hypothesis that 'there is no association between individuals opening bank account and their occupation' at 0.1 per cent probability level of significance. In this bi-variate interpretative analysis it may be concluded that opening of bank account of an individual is significantly influenced by their occupation in Manipur. The rejection of null hypothesis is advocated without considering the effects of other parameters under study like district wise variation, hill-valley differential, educational level, , gender, etc.

Table No.4
Occupation and status of bank account

Occupation		status of bank account		Total
		Yes	No	
Cultivator	Count	97	111	208
	% within Occupation	46.6%	53.4%	100.0%
Weaver	Count	71	7	78
	% within Occupation	91.0%	9.0%	100.0%
Student	Count	33	0	33
	% within Occupation	100.0%	0.0%	100.0%
Housewife	Count	62	39	101
	% within Occupation	61.4%	38.6%	100.0%
sewing & tailoring	Count	7	0	7
	% within Occupation	100.0%	0.0%	100.0%
driver	Count	20	3	23
	% within Occupation	87.0%	13.0%	100.0%
other	Count	102	48	150
	% within Occupation	68.0%	32.0%	100.0%
Total	Count	392	208	600
	% within Occupation	65.3%	34.7%	100.0%
$\chi^2(6) = 81.98$, P<0.01				

Infrastructure and security

Infrastructure and security is one of the main factors for successful implementation of any policy. But the state has been facing problem of poor infrastructure and law and order. As per the SLBC report Dec, 2016, Out of 27 unbanked blocks identify in Feb,2013, only 6 blocks have opened bank branch. All these unbanked blocks are located in the hill districts of Manipur. Pathetically due to poor infrastructure and security issue only 2 bank branches out the 6 could hardly operate. In Churchandpur, SBI Thalon is operating from district headquarter and

MRB Lamka is operating from Kawlkulh Assam Rifle Camp due to the reason of poor infrastructure and security problem. IOB Island block, Senapati is operating from Imphal due to connectivity issue. ICICI bank branch opened at Khenjoy, Chandel is unable to operate due to connectivity and transportation issue.

Findings

From the above analysis it has been found out following results:

i) About 34 per cent of the total population are financially excluded in the state. The inclusion is based on just opening bank account ignoring other elements of Financial Inclusion.

ii) Topographically, there is difference in the status of opening Bank account between hill and Valley region of the state.

iii) Gender-wise, there is not much difference in the status of bank account.

iv) Education is found to be one the factor that contributes support Financial Inclusion in the state.

v) Occupation of an individual does influence the status of bank account.

vi) Good infrastructure and better security promote Financial inclusion while poor infrastructure and law and order issue hampered Financial Inclusion mechanism.

Suggestions

From the above study and analysis of these few factors of Financial Inclusion in the state, the following points are suggested.

i) Development of Infrastructure especially in the hill districts of Manipur is a must for successful implementation of the mechanism. Unless the transport system and communication technology are developed connectivity will be a big issue.

ii) Security has been always a big issue in the state. For proper maintenance of law and order, government need a strong political will. Local leaders and learned people involvement is a must to solve security issues.

iii) As Education is always the solution for every problem, here also education can promote the mechanism. Proper education of the poor regarding the importance of financial inclusion is required.

Conclusion

It is a known fact that finance is one of the most important driving forces of empowering the poor. Therefore it should be realised that unless all the section of the people of the society are brought under the ambit of institutional finance, the benefit of high growth will not be percolate down and people at the bottom of the pyramid will still be deprive of the benefit of high economic growth. The moment when a state or nation builds economic opportunities for all section of the people, the mission of Financial Inclusion begins in reality. Financial inclusion is still considered as a socio-political imperative ignoring its economic value of empowering the poor in Manipur. There is need for an education of better understanding of the meaning of Financial Inclusion and its requirement. It is observed from the study that the achievement of Financial Inclusion in Manipur is minimal. Observing the study, it can be concluded that Financial Inclusion mechanism is yet to step more miles to bring empowerment of the poor.

REFERENCES

1. Aghion Philippe and Bolton Patrict. (1997, April). A Theory of Tricle-Down Growth and Development. The Review of Economic Studies , 64 (2), p. 151-172.
2. Banerjee Abhijit .V and Newman Adrew.F.(1993, April). Occupational Choice and The Process of Development, The Journal of Political Economy, 101(2), p.274-298.
3. Burgess Robin and Pande Rohini.(2003, August). Do Rural banks matters?Evidence from Indian Social Banking Experiment, London School of Economics and Political Science, Discussion Paper No. DEDPS/40.
4. Yunus Muhammad. (1999). Bankers to the Poor: Micro-Lending and the Battle against World Poverty, Public Affairs, New York.
5. Rutherford, S. (1996). Financial services and the poor: The family of schemes. Mimeo,
6. Kelkar, V. (2008). Financial Inclusion for "Inclusive Growth" , Administrative Staff College of India (ASCI) Journal of Management 39(1):55-68
7. Collins, D., Morduch, J., Rutherford, S., & Ruthven, O. (2009). Portfolios of the poor: How the World's poor live on two dollars a day. Princeton, NJ: Princeton University Press.
8. Lagarde, C. (2014, June 26). Empoerment Through Financial Inclusion. Retrieved Jan 14th, 2015, from www.imf.org.
9. Robert G. King and Ross Levine. (1993). Finance and Growth: Schumpeter Might be Right. The Quarterly Journal of Economics, 108 (3), p. 717-737.
10. Levine.R. and Zervos. S. (1998). Stock Market, Banks, and Economic Growth. American Economic Review 88(3), p. 573-58.
11. World Bank (2008). Finance for All - Policies and Pitfalls in Expanding Access. Washington: World Bank.
12. Maya Declaration. (2011). The AFI network commitment to Financial Inclusion. Retrieved from http://www.afi-global.org
13. Rangarajan, C. (2008). Report of the Committee on Financial Inclusion. NABARD.